

FOR IMMEDIATE RELEASE
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**DeNUCCI SAYS MUSIC FOUNDATION
SHOULD REPAY \$3.6 MILLION IN STATE GRANTS**

State Auditor Joe DeNucci said today that state agencies and authorities wasted \$3.6 million in grants to the National Music Foundation (NMF) to establish a music center in Lenox that was never built. DeNucci said the state should recover this money from NMF plus another \$280,000 in lost interest.

The National Music Foundation is a private, non-profit organization whose purpose was to build a National Music Center on a 62-acre tract of land in Lenox. Toward that end, the state Executive Office for Administration and Finance (EOAF) gave the foundation a \$2.5 million grant. The NMF also received federal funds passed through the state Department of Housing and Community Development (\$585,000), as well as grants from the Massachusetts Turnpike Authority (\$240,000), state Department of Economic Development (\$50,000) and Massachusetts Port Authority (\$285,000).

However, DeNucci found that the Office for Administration and Finance failed to provide sufficient oversight over NMF's compliance with its contractual agreements, particularly its unkept promise to raise private funds as a condition of getting the state grant. DeNucci said NMF also spent money on extravagant expenses that had no apparent business purpose.

The NMF had entered into an agreement to sell the Lenox property to another non-profit group for \$5.1 million, which would have meant a \$3 million profit. Although the sale is now in question, DeNucci said EOAF and the other agencies should never have allowed the situation to get this far.

"This is an outrageous example of how not to spend public money," DeNucci said. "I understand public support for worthy cultural projects that benefit the Massachusetts economy, but the National Music Foundation was a boondoggle that failed to live up to its promises."

The \$2.5 million grant, awarded in 1998, was supposed to be used for infrastructure improvements to the buildings and site. However, DeNucci found the following problems:

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- NMF was required to obtain commitments for \$2 million in private funding before getting any money from the state. Although the foundation got commitments from two individuals, one prospective donor subsequently pulled out.
- As a condition of the grant, the National Music Foundation was to raise an additional \$5 million in private funds over the next three years. Not only did NMF fall far behind this goal, but it also overstated its fund-raising revenues by more than 600 percent, reporting contributions of \$475,156 when in reality it only raised \$67,063 as of March, 1999.
- Despite NMF's shaky financial situation, the president/CEO lived in a large mansion on the property for \$12,000 a year and stopped paying rent during fiscal year 1998. Other employees were allowed to live on the property rent-free. NMF also paid the maintenance fee for a cooperative apartment owned by the president's niece in New York City for \$15,600 annually with no apparent business purpose.
- The foundation went over budget by at least \$80,000 in hiring a \$50,000 fund-raising consultant, and paid the president/CEO a \$200,000 salary and her husband a \$48,000 salary, which are excessive amounts considering the available funding and compared to the practices of other non-profit organizations.
- Although NMF's Board of Directors has 19 members, the board in reality is run by only four board members plus the president/CEO.
- The foundation had more than \$1.3 million in debts as of the end of fiscal year 1999 with only \$94,000 in unrestricted cash on hand, raising doubts that NMF will be able to pay its debts.

DeNucci said he is referring the report to EOAF for review and action before any further steps are taken on the proposed sale of the Lenox property. DeNucci also recommended that pending resolution of this matter, the Attorney General's office work with EOAF to place a lien on the property to protect the state's interest.

"State agencies have a responsibility to make sure that grant recipients fulfill the terms of their agreements and that the taxpayers get what they're paying for," DeNucci said. "The state should not allow the National Music Foundation to realize any financial gain at the expense of the public."

Joe DeNucci State Auditor

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